State Office of Risk Management (ORM)

RISK MANAGEMENT EXECUTIVE ORDER 01-05

Questions & Answers

Executive Order 01-05 (effective 12-7-01) addresses actions state agencies must take to reduce/minimize loss from tort claims filed against the State of Washington. The following answers typical questions that agencies may have in responding to the requirements of this Executive Order.

<u>Best Practices.</u> All Agencies shall:

Q. Generally best practices are recommendations, but with the statement "agencies shall", are agencies required to address every item in EO 01-05, or only those items that the agency determines have a bearing on reducing risk exposures or focusing on loss prevention strategies?

<u>A.</u> The items that pertain to your agency and its designated risk mitigation and loss prevention strategies.

Q. Will agencies be required to report to ORM, OFM, or through some other reporting process regarding actions it is taking to address items in the executive order?

<u>A.</u> Currently there is no specific reporting requirement. It is recommended that agencies utilize the monthly report, budget process, and other communication opportunities to share their risk management activities and results.

Q. Is there a suggested timeframe for agencies to respond to all executive order elements?

<u>A.</u> Inherently, risk management is an on-going process. The timeframe for agencies to respond to all the executive order elements depends upon the individual agency's resources, the complexities of its risk exposures, and the approach taken to incorporate risk management practices into its operations. The initial steps of setting risk management goals should be a priority for all agencies. See page four for examples of risk management goals and measures.

Q. Will non-Cabinet state agencies be required to comply with Executive Order 01-05 since all state agencies have risk exposures and pay premiums into the Liability Account?

A. The Executive Order directly applies to cabinet agencies reporting to the Governor. Implementing the executive order serves to raise the awareness of risk management within all agencies, and emphasizes the need for state government to actively target methods for reducing tort claims that in turn reduce injuries and trauma to Washington's citizens. Thus, all state government entities are invited and encouraged to increase their risk management focus.

1.a) Prioritize loss prevention through developing and meeting focused management goals and efforts in partnership with the state's risk management office.

Q. What will be expected of agencies in developing a " partnership" with the Office of Risk Management?

A. Maintain open lines of communication, utilize available resources provided by ORM, and strengthen working relationships with ORM.

Q. What type of loss prevention assistance will the Office of Risk Management provide to agencies?

A. ORM will provide individual consultations (if requested), various guides on establishing and maintaining a loss prevention approach, loss history data profiles (with agency specific and statewide tort claim statistics), periodic workshops on topics of interest to agencies, a periodic newsletter highlighting state agency risk management activities and information, a risk management e-mail communication "risk news" system, and general information on the ORM web site.

Q. Does the phrase "focused management goals" refer to agency goals, risk management goals, or a statewide risk management goal?

A. The phrase refers to the goals each agency sets to address their own risk exposures. These goals should be measurable with specific outcome results identified.

1.b) Allocate resources, to the greatest extent feasible, to services for which the state is at greatest risk of liability, with the goal of preventing or mitigating loss while meeting service expectations and responsibilities. In doing so, agencies should: 1) among information systems, technologies, and funding requests, prioritize those that support high-risk services and serve to mitigate risk; and 2) within available resources, prioritize training for service delivery staff and supervisors relevant to reducing losses and significant claims.

Q. In addressing risk, should agencies be evaluating all areas of risk, such as employment practices, financial risk, risk of losing data or information, etc.

A. Yes. Broadly categorized, the types of loss of concern to risk managers include personnel loss, property loss, time element loss, and legal liability loss.

Q. How will premium payments be handled in the budget process?

A. Premiums will be budgeted through agencies' budgets. If premiums increase because agencies are part of the larger state self-insurance pool, agency requests will go into maintenance level. If premiums increase because of the individual agency's loss experience, there will be a policy level request.

Q. If the agency determines additional resources are needed for training or other efforts to reduce risk of loss, how and where do we request those resources?

A. This would require an agency decision package during the budget process.

1.c) Manage all aspects of employee performance, including holding people accountable for agreed-upon performance expectations.

Q. What is required of agencies in this section?

A. Requires that agencies take steps to ensure staff "performs as expected" to deliver quality services. This is accomplished through normal employee supervision, annual performance evaluations, etc. (providing both positive and negative feedback to employees on their performance). Includes executive level to first-line supervision.

1.d) Review agency policies and, as necessary, simplify and provide written guidance to program staff and service providers that is concise, relevant, easy to understand, and provides practical direction for quality services.

Q. What should be considered in responding to the requirements of 1)d?

A. Some agencies have hundreds (possibly thousands) of policies, procedures and guidelines. With a goal of streamlining and clarifying policy guidance, determine if your agency has policies that could potentially generate risk exposure or claims. If there are many to review, give priority to those with the most risk exposures, history of previous loses, or those that contain the most precise or "exacting" requirements. Guidelines should be tied to the program mission and desired outcomes, and provide practical guidance to service delivery staff and supervisors. If an agency finds that the statutes governing that agency stand in the way of better policies, procedures and guidelines, advise OFM. Ensure reviews/rewrites involve appropriate program management, service delivery staff, and agency risk management staff. These discussions, and any ultimate changes in policies or procedures, should be reviewed by Attorney General staff for their advice on risk mitigation strategies.

1.e) Identify and take steps to involve employees, community members served by the agency, and advocates in efforts to lessen the risk associated with services delivered by the agency.

Q. Involving community members, advocates and others seems more of a focus for DSHS, the Department of Corrections, and similar agencies. What is expected of agencies that generally have minimal contact with stakeholders and little loss experience that could point to this method as a risk management strategy?

A. Involve these groups as deemed appropriate for your agency to manage risk.

ESTABLISHING RISK MANAGEMENT/LOSS PREVENTION GOALS AND MEASUREMENTS

Some of the information provided in this section is based on the document, "Tracking Performance in Local Government Risk Management – A Catalog of Performance Measures", by PERI (Public Entity Risk Institute). This document can be viewed in its entirety at PERI's web site at www.riskinstitute.org.

TYPES OF MEASUREMENTS

Some/all of the following measurement types may be used in setting agency goals and measures.

- **Workload Measures** (output) – Clients serviced, inspections conducted, etc. These measures provide information about service level/quantity.

- **Efficiency Measures** – Ideal measures of efficiency relate outputs produced to resources consumed. The result is to measure and reflect stewardship of public resources to achieve a public purpose.

- **Effectiveness Measures** – Measures the extent to which objectives are being met.

SAMPLE GOALS AND MEASUREMENTS

The following are sample goals and measures for several areas of risk management focus.

Administration of Risk Management in Agency

Workload Measures
- Number of documents reviewed for risk transfer or assessment (RFPs, contracts, certificates of insurance)
- Number of meetings with program managers to discuss risk management and recommend changes
- Risk assessment consultations conducted

Efficiency Measures
- Number of times risk management performance is reviewed with executive management
- Percentage of managers receiving training/general information on risk management and loss prevention and the agency's risk management goals

Effectiveness Measures
- Cost of risk (e.g. premiums, safety programs, deductibles, retentions, uninsured losses, risk management administration) per capita
- Cost of risk as percent of total budget

General Liability and other Non-Auto Liability

Workload Measures
- Number of claims filed against the agency
- Liability claims closed with no payment
- Number of claims closed without litigation
- Number of new legal claims (involves lawsuits)
- Pending legal claims

Efficiency Measures
- Cost per general liability claim: personal injury
- Cost per general liability claim: property damage
- Legal defense costs per closed lawsuit

Effectiveness Measures
- Percent of general liability claims closed with no payment
- Percent of general liability claims resolved before lawsuit
- Percent of general liability claims resulting in lawsuit
- Average loss paid on claims closed without litigation
- Total general liability claim costs

Fleet Management

Workload Measures
- Number of vehicle accidents
- Total number of vehicle accident claims (accidents per month)
- Automobile liability – bodily injury (number of claims, notice of claims, lawsuits)
- Automobile liability – property damage (number of claims, notice of claims, lawsuits)
- Number of vehicle accidents by program

Efficiency Measures
- Percent of auto liability claims closed within 12 months
- Average number of days to respond/follow-up to auto liability claims

Effectiveness Measures
- Vehicle accident rate per miles driven
- Average cost per claims for automobile
- Preventable vehicle accidents as a percentage of total
- Percentage of state vehicle collisions in which the State driver is at fault